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14 May 1959

CURRENT INTELLIGENCE WEEKLY SUMMARY



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T H E W E E K I N B R I E F**PART I****OF IMMEDIATE INTEREST****EAST-WEST NEGOTIATIONS Page 1**

The USSR, in seeking to enlarge the foreign ministers' conference at Geneva, has been trying to break down the postwar pattern of four-power authority and negotiations regarding the German problem. By calling for "full participation" by the two German delegations as well as Poland and Czechoslovakia, Moscow also attempted to advance the major Soviet conference objectives of enhancing the prestige of the East German regime and maneuvering the West toward formal recognition of the status quo in Eastern Europe. [REDACTED]

MIDDLE EAST HIGHLIGHTS Page 4

The Iraqi Communists are stepping up pressure on Prime Minister Qasim to allow freedom for party activity and to admit Communist representatives to the cabinet. Present cabinet members have indicated Communists might be admitted on "individual merit."

[REDACTED] Yemen's Crown Prince Badr [REDACTED]
[REDACTED] has reversed his pro-Soviet position and is anxiously requesting American economic aid. Political maneuvering continues in Jordan over appointments to army commands following the change in the cabinet last week.

[REDACTED] Soviet and clandestine broadcasts are capable of inciting a "spirit of rebellion" among the lower income groups, and that they have "rejuvenated" the Tudeh (Communist) party. [REDACTED]

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PART II

NOTES AND COMMENTS

SOVIET CENTRAL COMMITTEE MEETING Page 1

A Soviet party central committee plenum has been scheduled for 24 June to discuss mechanization and automation in Soviet industry, and the program for expanding the chemical industry. Announcement of the meeting and of its main agenda topics in advance is a further step in stripping some of the secrecy from central committee sessions in order to make greater propaganda use of them. Although not on the agenda, the case of the "antiparty group," left undecided at the 21st party congress, may again be taken up. [REDACTED]

PRELIMINARY USSR CENSUS RESULTS Page 2

The USSR announced on 9 May the preliminary results of the general census taken in January. The announced population total of 208,800,000 is an increase of 9.5 percent since the last census taken in 1939. There are 94,000,000 males and 114,800,000 females in the USSR--about 5,000,000 fewer males than had been estimated by the US. This indicates that war losses may have been higher than previously estimated and that women may comprise a larger proportion of the labor force than had been assumed, particularly in agriculture. [REDACTED]

TIBET SITUATION Page 3

The Chinese Communists are moving rapidly to bring Tibet into line with the rest of China through the introduction of drastic reforms, probably to include the formation of communes. The bitter Chinese press attacks on "Indian expansionists" virtually ceased following the 6 May People's Daily editorial calling for an end to the exchange of recriminations. The present hiatus seems intended to give the Indians an opportunity to disengage by dropping their own accusations against Communist China. Indian officials say 12,200 Tibetan refugees have reached India; they anticipate that the number eventually will total 20,000. [REDACTED]

BLOC PURCHASES IN THE RUBBER MARKET Page 4

During early 1959, the USSR has maintained the increased volume of rubber purchases begun last year. The satellites, however, appear to be buying only usual quantities, and the Chinese somewhat less than usual. Moscow's current moves are linked to its trade offensive,

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PART II (continued)

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BLOC ECONOMIC RELATIONS WITH THE UAR AND IRAQ Page 5

In the past few weeks Moscow has sought to demonstrate to Cairo and the West that the bloc intends to continue its economic and military support of the UAR despite the quarrel with Nasir over Communism in the Middle East. A UAR delegation led by the Egyptian minister of public works is in Moscow discussing the final Soviet plans for the UAR's Aswan High Dam project. The USSR is pushing rapidly ahead with its military and economic aid to Iraq. [REDACTED]

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BRITISH-YEMENI RELATIONS Page 6

Relations between Britain and Yemen remain poor, despite agreement to hold discussions beginning 18 May on border incidents and subversion across the Aden Protectorate frontier.

[REDACTED]

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ALGERIA Page 7

Reports are again circulating of an impending ceasefire in the Algerian rebellion, but extremists in both French and rebel camps may still be strong enough to block an early solution. Meanwhile, increasingly vigorous operations by the French Army along the Algerian-Tunisian border could touch off another serious crisis in Tunisian-French relations. Friction also appears to be mounting between Tunisian authorities and the Algerian rebels. [REDACTED]

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TURKEY MAY CURB OPPOSITION FURTHER Page 9

The Menderes regime in Turkey appears to be taking further steps to curb the opposition and the press following its unsuccessful attempts to prevent opposition leader Ismet Inonu from gaining political advantage from his tour of the Aegean region. [REDACTED]

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PART II (continued)

SPLIT PROBABLE IN SOMALIA'S GOVERNING PARTY Page 9

The resignation on 8 May of Minister of Interior Bogor, an influential tribal leader, may lead to a split along tribal lines in the moderate governing party in Somalia. The political instability resulting from such a split would create an atmosphere conducive to further foreign meddling--especially by the UAR--and might result in the formation of a new government composed of extremist elements less willing than previous regimes to cooperate with the West. [REDACTED]

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ANTI-SOVIET FEELING GROWING IN BURMA Page 12

Soviet prestige in Burma has suffered a setback because of publicity concerning the heavy-handed tactics of the Soviet Embassy in preventing its military attaché from defecting and a libel suit filed against a TASS representative by an influential Rangoon editor. In an apparent move to stem the decline of its prestige, the USSR has already decided to replace its ambassador. The anti-Communist Ne Win regime will offer the USSR few opportunities to regain its loss of influence. [REDACTED]

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PART II (continued)



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THE POSTELECTION OUTLOOK IN AUSTRIA Page 14

Austria's 10 May elections, which were highlighted by Socialist gains and the total elimination of the Communists from Parliament, seem to have given the 13-year-old coalition a new lease on life. A major cabinet reshuffle is in prospect and may take several weeks to negotiate, but the Socialists will probably succeed in defeating any People's party maneuvers to revise the coalition pact. Basic foreign and domestic policies are unlikely to be changed. [REDACTED]

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ICELANDIC-BRITISH FISHING DISPUTE Page 16

A series of recent "violations" by British trawlers of Iceland's unilaterally extended fishing limits has aggravated Icelandic opinion. Both sides are becoming increasingly aggressive in the eight-month-old dispute. With Icelandic attention focused on the parliamentary elections on 28 June, all political parties have united to support a parliamentary resolution protesting British infringements. [REDACTED]

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BRITISH TRADE MISSION TO MOSCOW Page 17

The Macmillan government hopes modest increases in Anglo-Soviet trade will result from efforts of the official British trade mission which arrived in Moscow on 12 May. The chief difficulty is financing. The government is meeting this by guaranteeing private credits to the USSR for periods up to five years, despite the alarm of some NATO members. [REDACTED]

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CHILEAN PRESIDENT'S ECONOMIC PROGRAM Page 18

Chilean Finance Minister Vergara's visit to the United States starting 15 May to complete negotiations for a sizable loan is part of President Alessandri's effort to overcome his country's persistent economic instability. In his first six months, the new President's prospects for carrying out his economic program have been aided by a rise in copper prices and by his success in obtaining passage of his omnibus economic bill. He is faced, however, with a disquieting rise in the rate of inflation. [REDACTED]

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PART III

PATTERNS AND PERSPECTIVES

SOVIET EFFORTS TO IMPROVE ECONOMIC PLANNING Page 1

With the Seven-Year Plan launched, Soviet economic planners are devoting their attention to improving planning techniques, a chronic problem in the "command economy" of the Soviet Union, and of special importance under the new territorial administrative system. Effectiveness of economic planning is an increasingly significant factor in the Soviet drive to "catch up with the United States," and articles and lectures on this subject are serious in content and less propagandistic than heretofore. They occasion lively responses and general participation to a degree unknown in earlier years. [REDACTED]

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THE SUEZ CANAL TODAY Page 6

Since Egypt nationalized the Suez Canal Company nearly three years ago, Cairo's Suez Canal Authority has demonstrated its ability to operate the canal as effectively as the old company. The volume of traffic has increased, and, without a rise in tolls, revenues in 1958 reached \$120,872,000 compared with only \$92,414,000 in 1955--the last full year of operation under the old company. The canal authority, however, faces some difficulties. Plans for securing a World Bank loan to improve the canal have been hampered by British financial maneuvers, and pilots have considered actions short of a strike to regain the status they enjoyed under the old company. [REDACTED]

PROBLEMS OF ITALY'S CHRISTIAN DEMOCRATIC PARTY Page 11

Factionalism and personal rivalries among the leaders of Italy's dominant Christian Democratic party are plaguing the three-month-old minority government of Premier Antonio Segni. Lack of cooperation among the center parties obliges the Christian Democrats to rely on rightist parliamentary support, and a stronger nationalistic attitude on foreign affairs has already resulted. Former Premier Amintore Fanfani, who has favored left-of-center party policies and who was overthrown last January because of internal rivalries, is working to regain control of the party. [REDACTED]

THE WARSAW PACT Page 13

A brief review of the history and present status of the activities of the USSR and the Eastern European satellites under the terms of the 1955 Warsaw Pact. [REDACTED]

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PART I

OF IMMEDIATE INTEREST

EAST-WEST NEGOTIATIONS

Geneva

Soviet Foreign Minister Gromyko's first move at the Geneva foreign ministers' conference was an indirect attack on the West's basic position that the four great powers have the major responsibility for the German question. By using the procedural issues of a round rather than a square table and the participation of the two German delegations, Poland and Czechoslovakia, Gromyko has been seeking to enlarge the conference in a belief this would mark a definitive break with the postwar pattern of four-power authority and negotiations on Germany. Gromyko's moves were also aimed at advancing major Soviet conference objectives of enhancing the prestige and authority of East Germany and maneuvering the West toward formal recognition of the status quo in Eastern Europe.

Gromyko almost certainly did not expect to win Western agreement to accord full status to the German delegations. The compromise arrangement whereby the German representatives were seated at two small tables adjacent to the main conference table has been hailed by Soviet propaganda as a "great victory" for Soviet diplomacy. As part of its effort to appear as the champion of the right of the Germans to a full voice at the conference, Moscow is charging the West with attempting to "restrict or even completely preclude" German participation and relegate the German delegates to "the status of second-rank advisers or just dummies."

Even before the conference opened, East German party boss Ulbricht claimed that East German participation constituted de facto recognition of the German Democratic Republic. Neues Deutschland asserted that the West has finally abandoned Bonn's "absurd thesis that only the Federal Republic could legitimately speak in the name of Germany." East German official statements are asserting that the Ulbricht regime represents all Germany, in contrast to Bonn, which is equated with "imperialism." Another aspect of the Communist line is an attempt to contrast East Germany's vocal advocacy of an equal voice for the Germans at Geneva with Bonn's alleged indifference and willingness to allow its allies to speak for Germany.

In a private talk with British Foreign Secretary Lloyd, Gromyko insisted that the right of the two German delegations to speak be unrestricted. The East Germans can be expected to take full advantage of the private agreement among the four foreign ministers that there will be no objection to requests by the German representatives to speak unless the privilege is being abused. Should the Western ministers complain that the East Germans are misusing this privilege, Gromyko probably will charge the West with attempting to suppress the legitimate expression of German views.

In his opening substantive statement on 13 May, Gromyko termed the presence of the two German delegations a "realistic

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step in the right direction" and noted that for the first time in postwar discussions of the German problem the two German governments will be heard. Foreshadowing Soviet conference tactics, Gromyko rejected in advance the Western "package" proposal, contending that it would be "completely unrealistic to attempt to examine all these questions at once." He insisted that the agenda should be confined to a German peace treaty, Berlin, and arrangements for a summit meeting. The Soviet foreign minister's unusually warm references to Prime Minister Macmillan provide further evidence of Moscow's interest in encouraging independent British initiatives in the talks.

Khrushchev Statements

Since his return from vacation on 26 April, Khrushchev has made a series of statements combining assurances of Soviet reasonableness in negotiations with claims of military predominance. Calling the foreign ministers' conference the first step in the cause of easing international tension, he expressed confidence in a speech in Kiev on 11 May that a summit meeting will be held regardless of the outcome and hinted that he favors a series of heads-of-government meetings.

He also asserted that the USSR's international situation is "better than ever before" and remarked that the Soviet Union has good rockets "in the required number" and "perhaps" before long will "curtail" their production. He warned that although in a war the West could inflict "no little destruction" on the USSR, the Western powers would be threatened with "inevitable catastrophe."

Earlier he had told a Greek political leader that he is not worried that a war might begin over Berlin as a result of a deliberate decision, but that he is concerned that an incident might precipitate hostilities. He declared that England and France could be effectively destroyed with only five rockets each and West Germany with four. In an interview with West German Socialist editors on 5 May, he said the Soviet Union has "enough rockets for America too."

Khrushchev's boasts regarding Soviet missile capabilities probably were designed to reinforce his claim that the international balance of power has shifted in the bloc's favor. While it is probable that the Soviet Union now has what it regards as a sufficient number of short- to medium-range ballistic missiles--i.e., in the 100- to 350-nautical-mile range--it is extremely doubtful that sufficient quantities of the longer range missiles exist or that production would be curtailed.

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Apart from Berlin, the main items for discussion at the foreign ministers' conference, according to the Soviet diplomat, should be a German peace treaty and force reductions in Central Europe, taking into account the 1954 Paris agreements forbidding German development

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and possession of atomic weapons. He remarked that German reunification can be discussed even though the chances of agreement are not good at present. He indicated that the USSR will insist on recognition of the Oder-Neisse boundary by all parties to a German peace treaty.

In the same vein, a high Soviet official in Moscow emphasized [redacted]

[redacted] that there is no danger of war over Berlin. The expected failure of the foreign ministers' conference, according to this official, will bring about an immediate summit meeting at which some progress can be made.

He gave as examples a permanent ban on atomic testing, prohibition of atomic weapons for West Germany, an atom-free zone or disengagement in Central Europe, and a readiness to discuss a peace treaty with the Germans. These questions, he said, could be discussed in general at the summit, and agreement could be reached to continue such discussions in the future.

[redacted] an East German delegation will arrive in Moscow on 15 May for the talks which were mentioned in the final communiqué issued at the conclusion of Khrushchev's visit to East Germany in March. While there is no information as to the subject of the talks, they may be preliminary conversations concerning a separate peace treaty which the USSR has threatened to conclude with East Germany if the West "refuses" to sign a treaty with the two Germans.

Western Views

Despite a favorable reaction to Chancellor Adenauer's preconference discussions with French Premier Debré and with Secretary Herter, Bonn officials, including Adenauer, are concerned over possible British attitudes during the second phase at the conference. Bonn fears that following Soviet rejection of the Western "package," the British may use this opportunity to discuss separate European security elements of the Western proposals. Bonn would prefer to direct the talks toward the problem of Berlin aiming at an agreement to continue the status quo.

Many West German and some West Berlin political leaders who had opposed East German control over Berlin access appear to be reconciled to the "agent" theory, in which the East Germans would take over access controls in the capacity of agents of the USSR. However, West Germans are more than ever determined to maintain the status of West Berlin and four-power responsibility for the entire city. Mayor Willy Brandt indicated privately on 6 May he would consider East German control as a satisfactory solution provided the West obtained firm and detailed Soviet and East German guarantees on Allied as well as East German access.

While British Prime Minister Macmillan and Foreign Secretary Lloyd have spoken in private of the dangers of the Berlin situation, their public statements have stressed that Macmillan secured Khrushchev's agreement during the Moscow visit that the dispute would be settled by negotiation.

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France may try to introduce President de Gaulle's proposal for a joint East-West aid program for underdeveloped countries at the foreign ministers' meeting as well as at any subsequent summit conference. At his 25 March press conference, De Gaulle said he would welcome a summit discussion aimed at attacking the basic human problems of disease, hunger, and shelter and at forestalling the upsurge of nationalism among non-European peoples. During his recent speaking tours through France, he first mentioned this as a topic for the foreign ministers.

Geneva Nuclear Talks

On 12 May the three delegations to the nuclear test cessation talks agreed to recess

until "not later than 8 June." The Soviet delegation apparently based its agreement to the Western-proposed recess on the belief that the foreign ministers would discuss the test-cessation issue either formally or informally while in Geneva. Soviet leaders may believe they can obtain agreement "in principle" at the ministerial level for their present proposal for a predetermined quota of annual on-site inspections of phenomena suspected of having been nuclear explosions. They may calculate that they could then successfully maintain that the actual number of inspections to be made annually would be a suitable subject for discussion and agreement at the summit. [redacted] (Contributions by ORR; Concurred in by OSI)

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MIDDLE EAST HIGHLIGHTSIraq

A breach has become apparent between Prime Minister Qasim and the leadership of the Iraqi Communist party. The issue is Communist demands for the legalization of political parties and for the appointment of avowed Communist party representatives to the revised 18-post cabinet.

These demands began to appear in the Communist-controlled press in the early part of April. In a speech on 30 April, however, Qasim declared that Iraq was in a "stage of transition" and that the time had not yet come for the return of political parties. Subsequently, according to non-Communist Foreign Minister Jawad, Qasim said privately that new cabinet appointments would be

made on the basis of "individual merit," and that no one would be selected as the representative of "any particular group."

The Communist newspapers were initially very cautious in their reaction to Qasim's speech. In the past week, however, their commentaries have become steadily sharper and they are now vigorously attacking Qasim's policy on this issue. Reminding Qasim of the services the Communists have rendered, editorials state that a return to party activity is essential for making Iraq "a true democracy." While avoiding personal attacks on Qasim, the press has discarded its practice of calling him "sole leader" and now refers to him as "prime minister" or "dutiful son of the people."

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Two pro-Communist cabinet members--Minister of Economy Kubba and Minister of Health Shawwas--have publicly backed the party's demands, and the leading Communist newspaper is seeking additional endorsements from other cabinet members.

A decision is expected soon on at least a few new cabinet appointments. The government announced in early May that the cabinet had been revised and expanded to include a total of 18 portfolios in addition to that of the prime minister. Qasim is likely to succumb to Communist pressure to the point of naming two or three known Communists to the cabinet, but he is less likely to give legal recognition to political parties. There is a faint possibility that the Communists have pushed too far too fast and that Qasim may react with positive efforts to reduce their power. Such moves would have to come soon--while his popularity is still widespread with civilians and probably with the army.

Troubles with the Kurdish tribes persist in northeastern Iraq, but may taper off further after partially snowbound passes between Iraq and Turkey are opened by the spring thaw and larger groups can escape the pressure on them in Iraq.

Relations between Moscow and Baghdad continue to be close.

UAR

According to the British Foreign Office, Nasir received with "understanding" the news of the British decision to sell heavy equipment to Iraq. The UAR press, however, has cited

it as confirmation of the thesis that the Qasim regime is supported by a conspiracy among the Communists, imperialists, and Zionists. Although this is a propaganda line for public consumption, it reflects the persistence of an anti-Western outlook and a determination on the part of top UAR circles to maintain a strictly neutralist position.

UAR propaganda has asserted that an internal struggle between Qasim and the Communists is imminent but, again probably reflecting official thinking, it has discounted the possibility that Qasim will come out on top.

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Yemen

Earlier signs that Yemen might be ready to follow the lead of the UAR and cut back its extensive relations with the Sino-Soviet bloc were followed last week by two separate approaches which asked, in effect, that the United States assume the direction--and, necessarily, the bulk of the cost--of Yemen's economic development.

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Yemen is inclined to terminate its extensive economic commitments to the bloc if the United States and the West generally will complete current work on a new port and new roads and provide funds to pay for work already done by the bloc on these projects.

In Yemen, Crown Prince Badr, in reversing his previous pro-Soviet attitude, made a fervent plea to the American chargé for generally improved relations and economic assistance. He subsequently made a mosque speech on the same themes. Badr, who appeared to the chargé to be a badly "frightened" man, may feel that a pro-Western course is the only one left open to him, since Cairo, his principal supporter up to now, has undertaken an anti-Communist campaign, and since his father's departure for Italy increased the possibility of internal revolt.

Yemen has received \$25,-000,000 in Soviet economic credits and a \$16,000,000 interest-free loan from Communist China. About \$25,000,000 of the total is believed to have been actually allocated. In addition, the Yemenis have obtained Soviet materiel worth over \$30,000,-000. More than 400 bloc personnel are believed to be in Yemen, including as many as 50 military specialists. About 300 Chinese Communists are working on a road project.

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The reaction in Jordan to the new Majalli cabinet has been glum

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Intense political maneuvering is continuing over the choice of new commanders for the army, following the dismissal of former chief of staff Sadiq Shara. Few of the candidates appear to be men of ability

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Jealousies and frustrations produced during the process could further weaken the cohesion of the army; non-Bedouin officers are already reported to be thoroughly intimidated by the "coup" accomplished

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by the Bedouin faction in getting
rid of both Shara and Rifai.

Iran

The Shah of Iran fears the
growing Communist influence in
Iraq and the Soviet activity
in Afghanistan, which he views
as leading to the gradual en-
circlement of Iran.

[redacted] broad-
casts of Radio Moscow and
clandestine radios are deepen-
ing the antiregime feelings of
the lower income class, junior-
grade and noncommissioned of-
ficers in the army, students,
judges, and the lower clergy.

[redacted] the propaganda 25X1
is capable of inciting a "spirit 25X1
of rebellion" among these groups,

[redacted] "rejuvenated" 25X1
the Tudeh (Communist) party. [redacted]

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PART II

NOTES AND COMMENTS

SOVIET CENTRAL COMMITTEE MEETING

A Soviet party central committee plenum has been scheduled for 24 June. According to the 9 May announcement, it will discuss implementation of the decisions of the 21st party congress to increase mechanization and automation in Soviet industry and the program for expanding the chemical industry, which is to receive an investment of 15-20 billion dollars under the Seven-Year Plan.

The advance public announcement of the June meeting and its main agenda topics is a further step in stripping some of the secrecy from central committee sessions so that greater propaganda use can be made of them. In the present instance, fuller publicity will help goad economic officials to maximum performance.

The quality of Soviet industrial technology varies widely among and within industries. In addition, because of their rigid production quotas, Soviet plant managers have frequently delayed the introduction of new technology if doing so would jeopardize current output goals.

The goal of "catching up" with the West, however, is compelling the USSR to reduce the time lag between scientific development and industrial application, especially in view of the decreasing availability of labor for industry and the rapid depletion of easily developed natural resources. In March a new State Committee for Automation and Machine Building was established, a move which indicated recognition of the importance of mechanization and automation in meeting the Seven-Year Plan goals.

Although Soviet chemical output reportedly increased 13 percent in 1958, the rates of increase for the few products listed was generally below that required for Seven-Year Plan fulfillment. The plan for construction of chemical plants fell short of fulfillment by a considerable margin because of a lack of equipment, the tardy receipt of technological data, and unsatisfactory work by contractors.

In order to mitigate the strain on domestic producers of chemical equipment and to save time required to develop new processes, the USSR has been attempting for the last few years to purchase equipment from the West.

Fulfillment of Seven-Year Plan goals is unlikely without substantial imports of equipment and technology. Under existing trade pacts with Western countries, Moscow already has planned to import \$100,000-000 worth of chemical plants and equipment, but its recent drive to secure credits in the West indicates that its requirement is greater than its ability to finance through current Soviet exports. The plenum undoubtedly will attempt to deal with this situation.

The central committee may again take up the case of the "antiparty group," although such was not announced on the agenda. This topic was left undecided despite considerable discussion at the central committee plenum in December 1958 and the party congress in January 1959.

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Khrushchev, however, may have been referring to the "anti-party group" when he announced at the close of the congress that appeals had been received "on decisions concerning removals from the party, impositions of party punishment, and other personal party matters." The congress charged the central committee with answering these appeals. Khrushchev may feel that further moves against members of the group and others

linked with its activities are now desirable.

Although the central committee has little or no substantive role in the formulation of foreign policy, the meeting in June will provide the Soviet leaders with an opportunity to review the results of the Geneva conference and explain the USSR's position prior to a summit meeting.

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PRELIMINARY USSR CENSUS RESULTS

The USSR announced on 9 May the preliminary results of the general census taken in January. The announced population total of 208,800,000 is an increase of 9.5 percent since the last census, taken in 1939, and is only about 800,000 fewer than the American estimate, which was based essentially on Soviet 1956 figures and the rates of natural increase in subsequent years. Nearly 48 percent of the population lives in urban areas, compared with about 32 percent before World War II.

If the census was conducted as planned, the results should be quite reliable. The actual enumeration, which took place the week of 15-22 January, was carried out as a house-to-house canvass of the entire country by a staff of more than 500,000 persons. The results were to be tabulated in 57 machine-processing centers located throughout the country.

The last previous Soviet announcement concerning the population, made in 1956, stated that the total was 200,200,000

as of April of that year. The new census figure suggests that this total may have been somewhat high, if Soviet claims of a natural increase of more than 3,500,000 annually "in recent years" are accepted.

There are 94,000,000 males and 114,800,000 females in the USSR; this is about five million fewer males than estimated by the US. The number of males of military age may thus be smaller and war losses may have been greater than were thought, but an accurate assessment cannot be made until data are released giving population breakdowns by age. The information suggests that women may make up a larger proportion of the labor force than had been assumed, particularly in agriculture. The USSR also will have to place greater reliance on women as a source of additional labor during the years of the Seven-Year Plan (1959-65), which probably explains the vigorous efforts now under way to induce housewives to work outside the home.

The urban population is now given as 99,800,000, compared

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with 87,000,000 as of April 1956. Some part of this increase is attributable to the reclassification of large numbers of small settlements and fringe areas formerly considered rural; the number of cities--places with 1,000 or more adult inhabitants--increased from 923 to 1,594, and the number of urban-type and workers' settlements--with 400 or more adult inhabitants--increased from 1,454 to 2,922.

In the past several years the population of the USSR has been increasing at about 1.7 percent annually and is expected to be about 266,000,000 by 1975. The population in the United States is expected to grow at a somewhat faster rate. The population of the Urals region increased 32 percent between 1939 and 1959; West Siberia gained 24 percent; East Siberia, 34 percent; Central Asia and Kazakhstan, 38 percent; and the Far East, 70 percent. 25X1

TIBET SITUATION

The Chinese Communists are moving rapidly to bring Tibet into line with socialist developments in the rest of China. In an effort to win over the population, Peiping has declared a moratorium on agricultural taxes for this year and is permitting Tibetan peasants to work land seized from rebel leaders. At the same time, the regime's propaganda machine is claiming that most of the population has a "tremendous desire" for drastic reforms.

Only mutual aid teams--the first step in the collectivization process--have been introduced thus far, but Chinese authorities will probably pass quickly over the intervening stages of collectivization to communalization, just as they did in Tibetan areas of western China late in 1958. The commune system would ensure maximum control over the population, its movement, and food supplies. Socialization of Tibet will be aided by the expected influx of large numbers of cadres and settlers from China proper.

The "democratic reforms" in store for Tibet will be a far cry from the full autonomy demanded by Indian critics of Peiping's policies. Communist China has made no compromises in response to Indian pressure and is unlikely to do so. While Peiping has not abandoned the possibility of the Dalai Lama's return, Chinese press statements belligerently maintain that Tibetan "autonomy" is not a matter for negotiation. There are, in fact, some indications which suggest the Dalai Lama may be jettisoned when it becomes obvious his value to Peiping is gone.

The bitter press attacks on "Indian expansionists" virtually ceased following an editorial in People's Daily on 6 May calling for an end to the exchange of recriminations. Peiping has stated that it will reply to criticism, but the present hiatus seems intended to give the Indians an opportunity to disengage by dropping their own accusations against Communist China. In the past few days

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Chinese comment has been largely confined to welcoming Nehru's conciliatory remarks on the need for Sino-Indian friendship.

In his statement on 8 May, Nehru again refuted Chinese allegations but made conciliatory gestures. He cautioned Chinese leaders against trying to intimidate India through "war-like" statements. At the same time, he said Sino-Indian problems must be settled peaceably and declared that the 1954 Sino-Indian treaty remains in full force.

Officials in the Indian Ministry of External Affairs expect the Tibet issue to subside, now that Parliament has adjourned. Praja Socialist

leaders, who have spearheaded the attacks on Peiping's Tibetan policy, attempted to keep the protest sentiment at a high pitch, however, by announcing plans for a national "Tibet Convention" in Calcutta on 30-31 May, to be attended by prominent Indian personalities and by delegates from a number of Asian and African countries. Nehru criticized the sponsors' stated purpose of arousing Asian opinion against Chinese actions in Tibet, but he apparently made no move to obstruct them.

Indian officials state that 12,200 Tibetan refugees have reached India; they anticipate that the number eventually will total 20,000.

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BLOC PURCHASES IN THE RUBBER MARKET

During early 1959 the USSR continued the larger volume of rubber purchases begun last year. In the first four months of this year Moscow bought 86,000 tons; total purchases last year were 215,000 tons. As rubber is widely re-exported within the Sino-Soviet bloc, particularly from Communist China, Soviet purchases must be considered only as part of total bloc buying activity, and bloc rubber purchases are erratic, both over the long run and during each year.

It is not yet possible to estimate procurement for 1959. Thus far the satellites appear to be purchasing usual quantities, and Chinese purchases seem to have fallen off. Buying activity during the first quarter suggests that the USSR is buying to meet its own needs, while the Chinese apparently have been relying on imports from Indonesia for current consumption.

Peiping's first purchase from Malaya in seven months--only 6,000-9,000 tons for delivery from Singapore in May and June--suggests that Peiping has reduced its total purchases and consequently its re-exports to the bloc. Furthermore, Peiping has evidenced little interest in completing negotiations for its annual rice-rubber exchange agreement with Ceylon. Ceylon and Singapore last year accounted for about one half of Chinese purchases.

Excessive Chinese purchases during the past few years--inspired originally by a desire to undermine Western trade controls, which have since been reduced--have largely been re-exported to the satellites and the USSR. Between 1953 and 1955 the USSR kept out of the world rubber market and met its requirements--some 200,000 tons--by withdrawals from its own stockpile. Bloc purchases in excess of

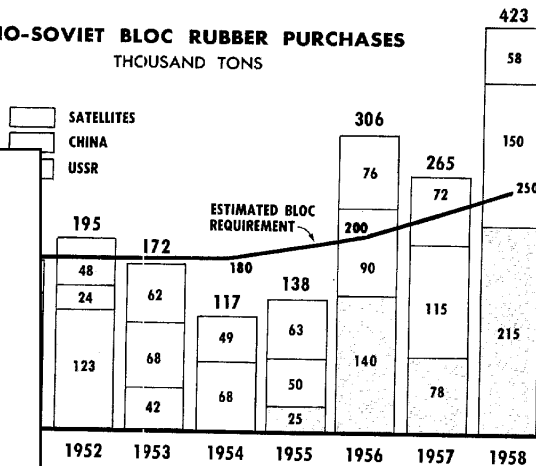
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demand since 1956 re-established this stockpile and provided additional amounts needed for normal working reserves.

SINO-SOVIET BLOC RUBBER PURCHASES
THOUSAND TONS



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BLOC ECONOMIC RELATIONS WITH THE UAR AND IRAQ

In the past few weeks Moscow has sought to demonstrate to Cairo and the West that the bloc intends to continue its economic and military support of the UAR despite the quarrel with Nasir over Communism in the Middle East.

Moscow is increasingly publicizing its economic relations with the UAR, presumably in an attempt to counterbalance the unfavorable propaganda resulting from recent Soviet-UAR frictions, as well as to divert public attention from the bloc aid program to leftist Iraq. The UAR, for its part, has recorded in its press--almost on a daily basis--its continuing economic

relations with the Soviet Union, and recent developments concerning Soviet participation in the construction of the Aswan High Dam have been given major attention.

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A UAR delegation led by the Egyptian minister of public

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works is in Moscow discussing the final Soviet plans for the UAR's Aswan High Dam project. In December the Soviet Union agreed to extend a \$100,000,000 credit for the construction of the first stage of the dam, but Moscow subsequently suggested amendments designed to reduce the costs and time of construction. The USSR, apparently attaching unusual importance to the successful conclusion of the talks, has designated both the minister of electric power and the chairman of the State Committee for Foreign Economic Relations to present the Soviet position. The Russians may use this occasion to propose further Soviet aid for the construction of the High Dam beyond the presently planned first stage.

The USSR is also pushing ahead rapidly with its economic and military aid programs in Iraq. Regular merchant shipping runs have been established

between Black Sea ports and Basra for the supply of Soviet grain, timber, automobiles, and other goods. The Soviet Union has speeded implementation of the projects called for under its economic aid agreement with Baghdad. Moscow apparently is more than willing to meet Iraqi requirements for technical assistance even in fields outside the aid agreements; it has already agreed to a Baghdad request for more than 40 physicians to practice in Iraqi hospitals.

Shipments of Soviet arms and military equipment to Iraq are still in progress.

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BRITISH-YEMENI RELATIONS

Local British and Yemeni representatives will begin discussion on 18 May in Aden concerning border incidents and subversion across the Aden Protectorate frontier, but these talks are unlikely to improve the chronically poor British-Yemeni relations.

While neither side expects significant results, both see advantages in holding the discussions. The British agreed to the Yemeni proposal for talks--a plan they had advanced earlier--as a gesture of good

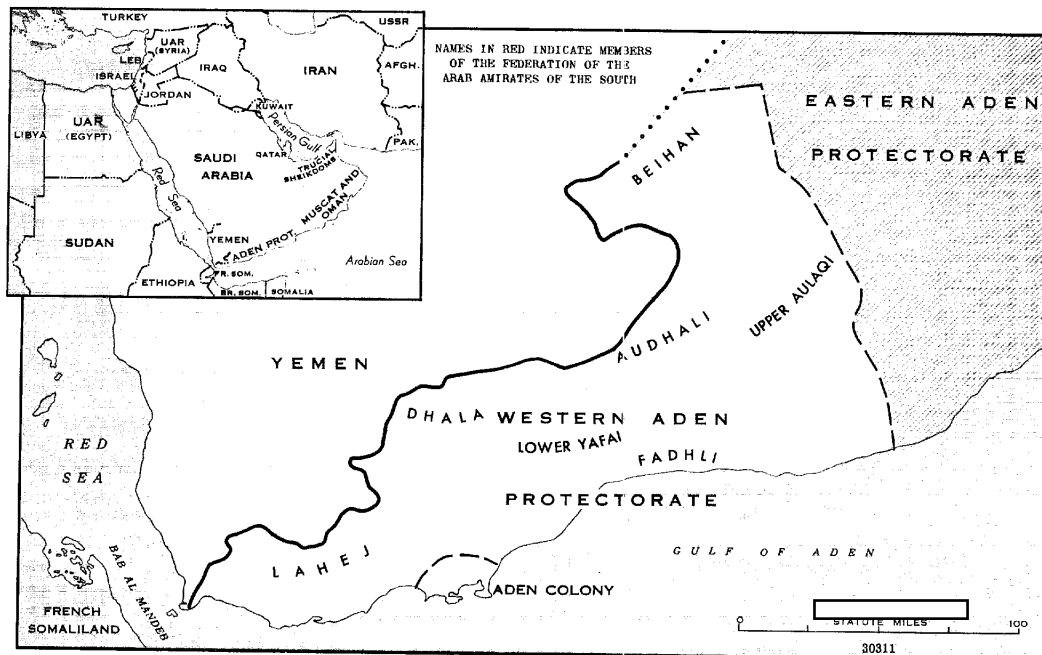
will and may take the opportunity to try to refute the Yemeni allegations that the federation of protectorate rulers--the Federation of the Arab Emirates of the South--inaugurated in February is a move against Yemen. London plans to propose cessation of hostile propaganda and subversion, and creation of a permanent border investigating commission. Regardless of what agreements are reached, the British suspect that the Yemenis will continue periodically to instigate border clashes and sabotage and to bribe protectorate tribesmen.

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Yemeni Crown Prince Badr

scant progress toward formation of a working entity.

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has recently reversed his pro-Soviet position and is requesting American aid (see Part I, page 6). In the talks, the Yemenis can be expected to press their claim to "South Yemen"--i.e., Aden Protectorate and Colony--and to protest against the federation, although that grouping has made

ALGERIA

Reports are again circulating of an impending cease-fire in the Algerian rebellion, but extremists in both French and rebel camps may still be strong enough to block an early solution. Meanwhile, increasingly vigorous operations by the French Army along the Algerian-Tunisian border could touch off another serious crisis in

Tunisian-French relations. Friction also appears to be mounting between Tunisian authorities and the Algerian rebels.

Cease-fire Rumors

Press reports from Paris that an Algerian war settlement would include face-saving concessions to the rebels may

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encourage the hard-pressed rebel high command, now meeting in Tunis, to approach De Gaulle concerning terms for a settlement.

De Gaulle is unlikely to offer the rebels any major concessions. There are indications, however, that he is willing to discuss more than a cease-fire, and his recent public utterances profess both a belief that peace is in sight and hopes for a relatively liberal political future for Algeria, to be determined by the Algerians themselves.

Farther south, tensions are growing as a result of Tunisia's determination and increasing capability to oppose the French Army's aggressive defense of the alleged "rights" of nomadic Algerian tribesmen who have traditionally moved freely in the arid, largely undemarcated border area. Tunis believes French authorities encourage the tribesmen's incursions, which are frequently followed by similar movements on the part of French Army units.

Should a major incident occur, especially one affecting Tunisian military or civilian personnel, Tunisian President Bourguiba would almost certainly feel compelled to make a sharp diplomatic countermove. This would probably include an appeal to the UN Security Council and a renewed demand for the evacuation of the French naval base at Bizerte.

Rebel-Tunisian Relations

The confinement in Tunisia of increasing numbers of frustrated Algerian rebel troops has heightened friction between the Algerians and the Bourguiba regime. Reports have been received of new skirmishing involving rebels and Tunisian forces in northwestern Tunisia and also of a recent verbal clash in Tunis between Bourguiba and Ferhat Abbas. Last week Bourguiba stated publicly that he was holding "conversations" with "responsible Algerians" with a view to forestalling actions giving French troops a pretext for "invading" Tunisian territory.

The embattled rebels are pressing Tunis for more aggressive support. Some Algerians are reportedly urging outright co-belligerency.

Tunisian Border Tensions

Increasingly vigorous operations by the French Army along the Algerian-Tunisian border appear to be leading to more frequent and graver incidents involving violations of Tunisian territory. In the northern sector, pressure on the frontier has increased appreciably as French forces have pushed rebel soldiers operating east of the Morice Line closer to their bases in Tunisia. French commanders are thus more and more tempted to pursue the Algerians across the frontier.

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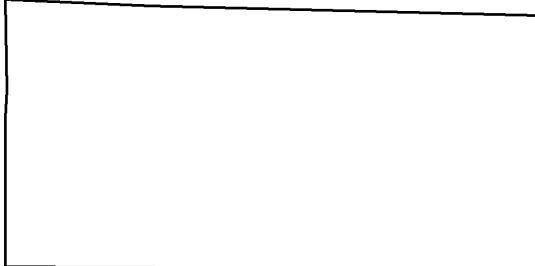
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TURKEY MAY CURB OPPOSITION FURTHER

The efforts of the Menderes government to prevent former President Ismet Inonu--the leader of Turkey's opposition Republican People's party (RPP)--from meeting his supporters during his recent tour of the Aegean region have increased the popularity of the 74-year-old hero of the Turkish War of Independence. Inonu, who was slightly injured during one of the disorders along his route, shows no signs of being discouraged from further travel around the country. The government is likely to tighten its restrictions on the opposition and on the press.

Interior Minister Namik Gedik, who closely supervised the extensive security measures taken during Inonu's tour, has warned the RPP against a recurrence of the disorders which took place along Inonu's route. He charged that the RPP's actions were trampling on the law of the land and leading the nation to anarchy. The government limited news coverage of the incidents and reportedly plans to restrict independent newsmen from accompanying political figures on their trips throughout the country. The government may also restrict the number of political conventions.



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INONU

The well-disciplined Turkish Army has a strong tradition of subordination to civil authority. Therefore, chances of military intervention in politics appear slight unless Inonu should be seriously injured in further disorders, or unless the government should apply blatantly illegal repressive measures against the opposition.

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SPLIT PROBABLE IN SOMALIA'S GOVERNING PARTY

A split along tribal lines in the Somali Youth League (SYL)--the moderate governing party in the Italian trust territory of Somalia in East Africa--may follow the government's accept-

ance on 8 May of the resignation of Minister of Interior Bogor. Such a split would create political instability conducive to further foreign meddling, especially by the UAR.

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Since Bogor has controlled the security forces--a large number of whom are members of his Darot tribe, the country's second largest tribal group--maintenance of order may become a problem.

Bogor is the leader of the Darots, who, together with the

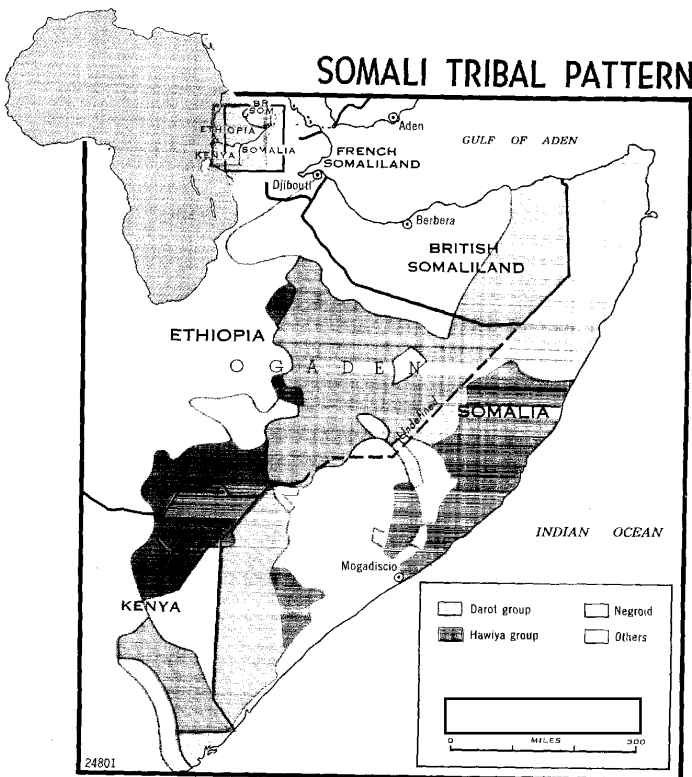
storing political rights to two small parties accused of inciting violence preceding the March parliamentary elections.

As a result of his resignation, Bogor probably will either leave the SYL voluntarily or be expelled from the party at its forthcoming party congress. This congress, scheduled to begin on 16 May, is to consider the composition of the government for the next five years. Bogor may join the UAR-oriented Greater Somalia League--one of the two parties banned by the government on 25 February--or form a new party composed largely of Darots.

The Somali Youth League, hoping to conceal the high-handed tactics it used in the recent parliamentary elections to maintain its power, has sought to preserve a semblance of political unity before the world and the United Nations--at least until the country achieves the independence scheduled for December 1960. A

split along tribal lines would destroy this facade of unity, and might threaten the political life of the Hawiya-controlled government, which is friendly toward the West. Should the present government be deposed or be forced to accept more nationalistic elements in a new coalition government, another regime could be expected to adopt a more extremist attitude and be less willing to cooperate with the West.

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Hawiyas, constitute the uneasy SYL coalition. The Darots have frequently criticized the Hawiyas for using government positions to increase both their control over the SYL and their prestige in the government. Antagonism between the two tribes caused a less serious government crisis in December 1957. The present government crisis, touched off by the surprise resignation, resulted from Bogor's order--against the will of Prime Minister Issa, a Hawiya--re-

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under the army-dominated Ne Win regime, are giving heavy play to the Stryguine incident. The press is concentrating especially on the rough handling they claim to have received from Soviet personnel in trying to cover Stryguine's forced departure for the USSR at Mingaladon Airport after his defection attempt. Stryguine's earlier abortive attempt to escape from his Soviet colleagues by jumping out of a hospital window had caused a sensation in Rangoon.

According to the Burmese radio's home service on 12 May, seven reporters are taking "legal action," possibly a demand for damages against the Soviet Embassy staff.

A Burmese court has issued two warrants for the arrest of the TASS correspondent, who has been charged by U Law Yone, the editor of the influential Rangoon Nation, with criminal libel. Law Yone's ire was aroused by a TASS release alleging that he had received \$34,000 from the

American Embassy in Rangoon. Rangoon police have been unable to locate the TASS representative, who failed to appear in court on 8 May for his first day of trial. His failure to appear will almost certainly lead the Burmese public to presume that he is in hiding at the Soviet Embassy.

The case puts Moscow in a dilemma: flight from Burma by the defendant, who has no diplomatic status, would invite strong Burmese censure; should he face trial, he is likely to be convicted.

While the damage to Soviet prestige in Burma is by no means irreparable, the position of the USSR now is probably weaker than it has been at any time since the two countries established relations in 1951. Moreover, as long as the Ne Win government is in power, Moscow's opportunities to regain its lost influence will be minimized.

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The election outcome closely parallels that of 1953 and contrasts with the elections in May 1956, when Chancellor Raab of the People's party nearly won a parliamentary majority by exploiting his role in the State Treaty negotiations with the occupying powers. The Socialists now have restored the balance by gains from both the People's party and the Communists. The latter lost nearly

the coalition approximately on Socialist terms. Conceivably, he might--as he did in 1953--seek support from the extreme right-wing Liberals, who gained two parliamentary seats, but this is unlikely in view of the electorate's clear preference for continuation of the coalition and the probable opposition of President Schaerf, who is a Socialist. The Socialists are also in a good position to resist any revival of Raab's pre-election demand for revising the coalition pact to his own party's advantage.

There is likely to be greater difficulty over the redistribution of ministerial posts, a slight majority of which now are controlled by the People's party. A Socialist bid to head the Foreign Ministry, held by the People's party since 1945, seems most likely. Bruno Kreisky, the present state secretary for foreign affairs and an influential Socialist intellectual, is known to aspire to the top position, and Foreign Minister Figl may be urged to accept the governorship of Lower Austria.

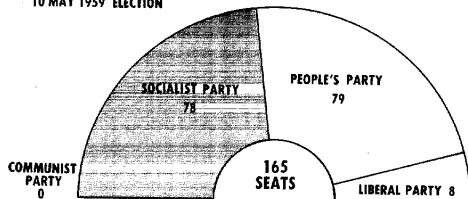
Minister of Interior Helmer, a Socialist with an international reputation for fearless anti-Communist actions during the occupation, has already announced his retirement. Incumbents in the Ministries of Justice, Trade, Agriculture, and Communications and Power--as well as several state secretaries in these ministries--may lose their jobs or be shifted elsewhere. Such a drastic reshuffle would be unusual in Austria, but major innovations in either domestic or foreign policies would probably not be involved.

AUSTRIAN PARLIAMENTARY ELECTIONS

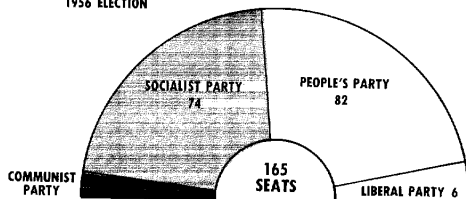
	1953	1956	1959*
PEOPLE'S PARTY	1 781 777	1 999 986	1 932 690
SOCIALIST PARTY	1 818 517	1 873 295	1 953 566
LIBERAL PARTY	472 886	283 749	335 699
COMMUNIST PARTY	228 159	192 438	142 608

* UNOFFICIAL RESULTS

AUSTRIAN NATIONALRAT
10 MAY 1959 ELECTION



AUSTRIAN NATIONALRAT
1956 ELECTION



one fourth of their 1956 vote and failed to obtain even their so-called "basic mandate" in Vienna. These losses reflect not only the relative contentment of the Austrian worker but lingering public resentment over the suppression of the Hungarian revolt.

Raab seems to have little alternative to reconstituting

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ICELANDIC-BRITISH FISHING DISPUTE

After several weeks of relative quiet, Iceland's eight-month-old fishing dispute with Britain has flared up again as a result of the more aggressive tactics adopted by both Icelandic coast guard patrol craft and British fishery protection vessels. Clashes occurred on 29 and 30 April when a British destroyer prevented Icelandic patrol vessels from arresting

British trawler owners reportedly are particularly concerned over the possibility of casualties in the dispute, which on three separate occasions --the last on 30 April--involved the firing of warning shots. London has delivered two notes to the Icelandic Government protesting these incidents, but Reykjavik has already dismissed the British version of one of them as fabrication.

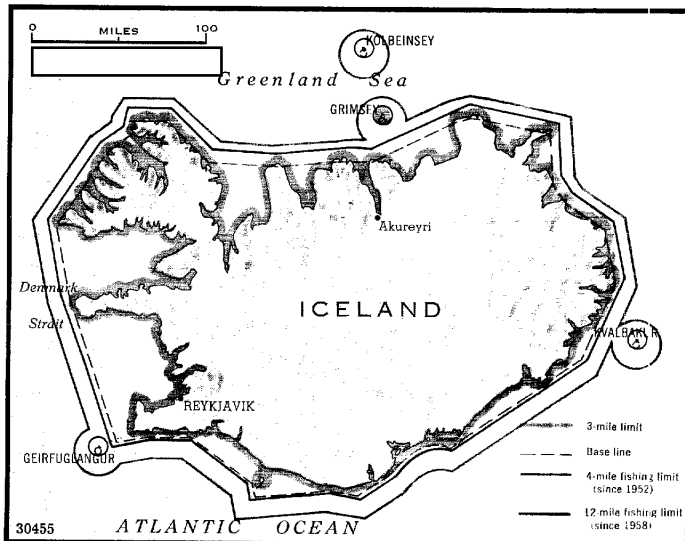
The Icelandic Government has also refused to assure British trawler owners that it will not bring charges against trawlers submitting to arrest within the four-mile belt for also violating Iceland's unilaterally extended 12-mile fishing limit. The owners evidently now will order the trawlers to avoid arrest.

The present political situation in Iceland offers little hope that the government will be able to follow a more conciliatory line in the weeks ahead. With attention focused on the

parliamentary elections scheduled for 28 June, all parties have united to support a parliamentary resolution protesting British infringements. In order to prevent the Communists from running away with the issue in the election campaign, the minority Social Democratic government may be increasingly tempted to curry public favor with more radical measures.

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trawler operators observed fishing within the 12-mile fishing limit unilaterally declared by Iceland last September as well as within the older four-mile belt which Britain has not recognized but has tacitly accepted. The American Embassy in Reykjavik expects an "intensified wave of public indignation" in Iceland when the government releases photographs of the latest incidents and the results of a court hearing on the case.

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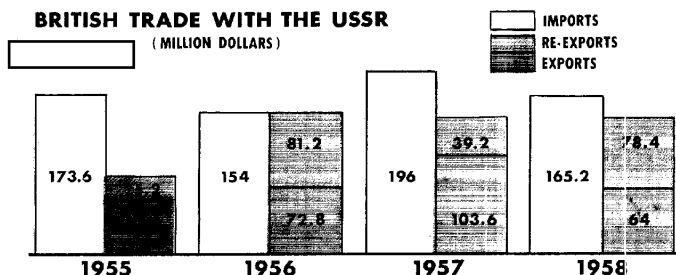
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BRITISH TRADE MISSION TO MOSCOW

The Macmillan government is moderately optimistic over prospects that increased Anglo-Soviet trade will result from efforts of the official British trade mission which arrived in Moscow on 12 May. It also sees the mission as part of the larger effort to promote contacts with the USSR.

London considers the Soviet shortage of sterling and its own refusal to grant government

British industrial and commercial banking interests nevertheless appear convinced that the Soviet Government is prepared to buy capital equipment from the West for its seven-year economic program. Industrialists were impressed last March with the Soviet parliamentary delegation's show of interest in buying electronic equipment and plants for manufacturing chemicals, fibers, and plastics. Commercial banking firms are supporting the industrialists by claiming that unused resources of British commercial financing are large enough to give government-guaranteed private credits to the USSR and still maintain the ability to assist less developed countries.



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credits or to guarantee long-term private credits major stumbling blocks to any appreciable trade expansion. Premier Khrushchev insisted during Prime Minister Macmillan's visit to Moscow that trade between the two countries could be doubled, provided satisfactory financial arrangements could be made. However, British officials privately compare the present Soviet proposal for five-year credits worth a total of \$700,000,000 to Khrushchev's highly publicized 1956 "shopping list." They point out that there has been no significant trade increase since 1956 and that British trade with the entire Sino-Soviet bloc has remained only about 3 percent of Britain's total trade.

While the government is aware of the strong opposition among some NATO countries to granting credits to facilitate Soviet trading arrangements, it has publicly stated its willingness to guarantee private medium-term credits--from six months to five years. It revealed in Parliament recently that several government-guaranteed contracts have already been negotiated. The American Embassy considers it extremely unlikely that the Macmillan government will reverse this policy, since not only Labor--which in the past has pushed for closer relations with the USSR--backs it, but also Conservative members of Parliament.

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CHILEAN PRESIDENT'S ECONOMIC PROGRAM

Chilean Finance Minister Vergara's visit to the United States starting 15 May to complete negotiations for a sizable loan is part of President Alessandri's efforts to overcome his country's persistent economic instability.

In his first six months, the new President's prospects for carrying out his economic program have been aided by a rise in copper prices from 25 cents to 31 cents per pound. This is a considerable asset for the Alessandri program, since copper accounts for a major portion of both export earnings and government revenues. A one-cent change in the copper price is the equivalent of \$6,000,000 in government tax revenues.

Alessandri, whose conservative supporters do not control Congress, has scored a major victory in obtaining passage of an omnibus economic bill which included a grant to the President of extraordinary powers for one year. The bill had been repeatedly modified by each congressional chamber, thus necessitating repassage by the other house, but in the version finally ratified on 6 April only eight of 313 articles represented congressional suggestions which the President opposed.

Alessandri's program, however, faces a disturbing rise in the rate of Chile's inflation. With inflation for the first quarter of 1959 at 12.9 percent,

a marked increase over the 9.5 percent of the first quarter of 1958 and almost three times higher than the rate in neighboring Bolivia, the government has been forced to abandon its goal of keeping inflation for 1959 to 20 percent. Unemployment of 9 percent in the country as a whole is another factor for unrest, but it lessens the inflationary force of the government's program of increasing production.

This is particularly true of the program--already under way--to combat the housing shortage, which Alessandri terms the "most serious of all" Chile's problems. The planned construction of between 40,000 and 50,000 houses annually is unlikely to cause serious wage inflation, at least initially, since unemployment is especially high among construction workers.

Alessandri believes that increased production is the only way to combat inflation and is seeking foreign capital to further this aim. The nearly completed loans of about \$130,000,000 from public and private sources in the United States are designed in part for debt payment and in part for the economic development program. The Alessandri regime appears to have completed the preparatory phase of its economic program and to be entering the second phase of real accomplishments.

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PART III

PATTERNS AND PERSPECTIVES

SOVIET EFFORTS TO IMPROVE ECONOMIC PLANNING

With the Seven-Year Plan launched, Soviet economic planners are devoting their attention to improving planning techniques, a chronic problem in the "command economy" of the Soviet Union, and one now assuming special importance under the new territorial system of economic administration.

A. N. Kosygin, speaking at the 21st party congress two months before he replaced I. I. Kuzmin as head of the State Planning Committee (USSR Gosplan), identified several problems under study: setting criteria for making decisions on investments, reducing anomalies in pricing, and narrowing the very wide differences in profitability of enterprises.

The effectiveness of economic planning is conceived by the Soviet leaders and population alike as an increasingly significant factor in the drive to "catch up with the United States" in per-capita output.

Since at least 1956, and particularly in recent months, broad interest has been shown by Soviet planners and economists, political leaders, and even the general public, in technical problems of economic planning. Discussions, lectures, and academic defenses of dissertations concerning technical planning have occasioned lively responses and general participation to a

degree unknown in earlier years. Articles and books on these topics are serious in content and less propagandistic than heretofore. Even Western economists visiting the USSR have been drawn into these discussions.

Decisions by the party central committee and the USSR Council of Ministers--both now chaired by Khrushchev--must be translated into detailed economic plans. At each level of economic administration, directives must be prepared and issued by appropriate planning staffs.

The Soviet planners' task is complicated by Khrushchev's desire to accomplish "everything at once." Under Stalin

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ROLES PLAYED BY SELECTED SOVIET BODIES IN THE PROGRAM
TO DEVELOP AND REFINE ECONOMIC PLANNING METHODS

USSR Gosplan (State Planning Committee)

Responsible for economic planning operations at the all-union level; has its own economic research institute; with the USSR Academy of Sciences and the USSR Ministry of Higher Education, initiated in November 1958 a program of coordinated research on problems related to planning methods. Chaired by Kosygin.

USSR Academy of Sciences

Responsible for scientific research; recently set up a separate economics department; supervises a number of important economic research institutes; deals with interindustry relationships at the new Siberian scientific center at Novosibirsk; Academy President Nesmeyanov criticized "lagging economic science" in his speech to the 21st party congress.

USSR Ministry of Higher Education

Responsible for graduate training, including the work of faculties and institutes of economics under its jurisdiction; in order to bring education "closer to life," the ministry and its institutions have become more active recently in research and consultative work supporting the economy and its planners; probably will play a major role in disseminating new economic planning techniques, but only a minor one in their development.

State Scientific-Economic Council of the USSR Council of Ministers

Responsibilities of this new body have not been published; it may have over-all responsibility for directing and coordinating the program to develop and refine economic planning techniques; in this connection its principal functions would be to coordinate research, and to review and recommend to the USSR Council of Ministers suggested changes in planning policies and methods; Kuzmin, former chairman of USSR Gosplan and strong critic of economists' support of planning, was named to head this body in mid-March, shortly after its formation.

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EVOLUTION OF THE SOVIET CENTRAL PLANNING APPARATUS
ASSIGNMENT OF SELECTED PLANNING FUNCTIONS AMONG THE PRINCIPALLY RESPONSIBLE ORGANIZATIONS

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TIME PERIOD	LONG-RANGE PLANNING	CURRENT PLANNING	SUPPLY ALLOCATION	LABOR AND WAGE MATTERS	TECHNICAL INNOVATIONS
PRIOR TO 1948	USSR Gosplan	USSR Gosplan	USSR Gosplan; Ministries	USSR Gosplan	USSR Gosplan; Ministries
1948	USSR Gosplan	USSR Gosplan	State Committee for Material-Technical Supply (Gossnab); Ministries	USSR Gosplan	State Committee for New Technology (Gostekhnika); Ministries
1951	USSR Gosplan	USSR Gosplan	Gossnab State Committee for Food and Industrial Supply (Gosprodsnab); Ministries	USSR Gosplan	USSR Gosplan; Ministries
1953 (AFTER STALIN'S DEATH)	USSR Gosplan	USSR Gosplan	USSR Gosplan; Ministries	USSR Gosplan	USSR Gosplan; Ministries
1955	USSR Gosplan	State Commission for Current Planning (Gosekonomkomissiya)	Gosekonomkomissiya; Ministries	State Committee for Labor and Wages; USSR Gosplan	State Committee for New Technology (Gostekhnika); Ministries
1957 (AFTER THE REORGANIZATION)	USSR Gosplan	USSR Gosplan	USSR Gosplan; Directorates of Supply and Sales of the abolished ministries merged into USSR Gosplan	State Committee for Labor and Wages; USSR Gosplan	USSR Gosplan; State Scientific-Technical Committee; Retained ministries
1959	USSR Gosplan	USSR Gosplan	USSR Gosplan; Main Administrations of Inter-republic Supply	State Committee for Labor and Wages; USSR Gosplan	USSR Gosplan; State Scientific-Technical Committee; State committees for specialized technologies replacing the temporarily retained ministries

NOTE: USSR Gosplan (now the State Planning Committee) has been officially called by other names at different times since World War II, but it has always been popularly referred to as "Gosplan."

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the planners were confronted with a relatively simple array of priority programs; now, however, additional tasks must be assigned their proper places in a broad, more detailed pattern of priorities. Techniques must be refined for preparing and checking plan drafts prior to their issuance, as well as for monitoring, adjusting, and controlling plan fulfillment. As part of the renewed attack on these problems, a number of new agencies have been created which may have important functions in the development of planning techniques.

Background

Even under Stalin--and before--regime responses to economic problems usually resulted in organizational changes affecting the planning organs, reflecting the central role of the planning process. Such organizational changes have affected not only USSR Gosplan, the principal central planning organ, but from time to time other bodies with important planning functions have been established, abolished, merged, or realigned in response to particular problems.

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Material shortages experienced during postwar reconstruction led to the establishment in 1947 of a State Committee for Material-Technical Supply (Gossnab); at the same time, to foster technical innovation, a State Committee for New Technology (Gostekhnika) was set up. Gossnab itself was revamped again in 1953, and following Stalin's death that year was merged into USSR Gosplan in a general organizational consolidation.

Later, following maneuvering on succession as persistent economic problems again came to the fore, a State Committee on Labor and Wages was set up to work out a new wage pattern more in keeping with actual production conditions; Gostekhnika was re-established in the continuing drive to exploit technological advances for output increases; and, in an attempt to improve the efficiency of current planning through specialization of short-term planning functions, the State Commission for Short-Term Planning (Gosekonomkomissiia) was established as an entity separate from USSR Gosplan. Apparently these moves were not uniformly successful.

1957 Reorganization

Khrushchev's reorganization of industry and construction, with its stress on regional administration in place of specialized administration through ministries, which it largely abolished, attempted among other things to resolve important planning problems. To strengthen the coordination and integration of long-term and current plans and planning methods, USSR Gosplan once again absorbed the functions of Gosekonomkomissiia, which was abolished. On the other hand, the State Committee on Labor and Wages was retained, implying that the program for wage reform required a separate organ devoting full time to its development and implementation.

The reorganization raised new problems of its own, however. To forestall disruption of supplies, as well as to improve the consistency of supply planning with production planning, the sales and supply organs of abolished industrial ministries were merged temporarily into USSR Gosplan with evident success.

As the transition period passed without significant disruption of industrial production, the long-range policies of the reorganization aimed at improving economic efficiency were followed more directly. To increase the participation of republic, regional, and local organs in the implementation of centrally determined supply programs and policies, the supply departments of USSR Gosplan were reorganized into "main administrations for interrepublican supply." These units were to establish policy and monitor operations, but it was left to republic and sovnarkhoz authorities to spell out the specific details for local implementation. This was expected to improve economic efficiency through better accommodation to local conditions.

In order to promote technical innovation in production of military goods and certain other fields, some half-dozen state committees replaced those industrial ministries which had been retained temporarily during the initial transition period of Khrushchev's reorganization.

Greater reliance has come to be placed on local initiative. Recent economic plans have given heavy consideration to initial plan drafts prepared by each enterprise. Although these drafts are based on informal guidance given the enterprise about the regime's main goals, they provide important information about the production capabilities of the enterprises as seen by local officials. At each administrative

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level on the way up, these submissions are reviewed and melded into a more general draft plan for submission higher up.

Each of these regional and republic draft plans is intended to be well integrated, reflecting the production possibilities of the area. Nevertheless, because the central authorities thus far have retained a tight rein on the allocation of investment resources, comprehensive integration of economic development and production planning ultimately depends on action by USSR Gosplan.

The increased authority and responsibility assigned the republics and sovnarkhozy for handling supply administration, for maneuvering the resources--especially labor--assigned them, and for detailing output plans for subordinate activities seem to have induced an active spirit of initiative and participation among administrators and workers at all levels. This present mood may be an important if intangible factor tending to improve local adaptation and implementation of central decisions.

21st Party Congress

The main item on the agenda of the Soviet 21st party congress was ratification of the control figures for the Seven-Year Plan (1959-1965), and leading economic planners and scientists as well as Soviet political leaders discussed problems of economic planning. A. N. Nesmeyanov, president of the USSR Academy of Sciences, charged "lagging economic science" in the Soviet Union for failing to keep pace with the requirements for more advanced economic planning techniques. Kuzmin, at that time still top Soviet planner, was critical of the theoretical support provided the long-term planners by the economists in working out the draft Seven-Year Plan.

Deputy Premier Kosygin identified several important planning problems. In his review of the seven-year plans affecting consumer-goods marketing and production, he remarked on the difficulty of deciding among a number of investment alternatives in planning the expansion of the sugar-refining industry.

The problem of choosing a specific development program had already received wide attention in connection with the program for expanding electric power generation capacity. Here a decision had to be made between construction of hydroelectric dams--involving larger capital investments and longer delay before operation, but lower generating costs--and construction of thermal generating plants. Despite their higher operating costs, Khrushchev favored the thermal plants because they could begin producing electricity more quickly.

Kosygin also brought up questions of accelerating technological innovation and, in reviewing retail trade plans, he suggested that "the authority must be vested in industrial enterprises to make necessary amendments to their production plans in accordance with changes in consumer demand." Kosygin further spoke of the need "to continue work on regulating and eliminating disproportions in prices...and to abolish unjustified diversity in profitability." He noted that the profitability of producing various coal-mining machines ranged from a loss of 16 percent to a profit of 45 percent.

Proceedings at the congress confirmed that Soviet economists and planners are under pressure to refine planning techniques in order to improve economic efficiency. At the present time, the main criticism centers on the economists for their failure to supply planners with technical support.

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Plight of Economic Science

The lag in Soviet work in theoretical economics is often attributed by Western observers to dependence on orthodox Marxian economic dogma. One American economist who recently returned from the USSR noted that a major aspect of the work of any Soviet economist seemed to be to discover a Marxian "hook" on which to hang any new theoretical development he might wish to introduce. This almost theological approach to Marxism has indeed colored theoretical work by Soviet economists, but recent economic policy has been remarkably flexible and pragmatic, and the present regime will probably not permit rigid theoretical dogmatism to affect economic policy adversely.

A number of recent moves have been undertaken to improve Soviet work in economics. USSR Gosplan initiated a program in late 1958 for improving the direction and coordination of work carried on by the principal Soviet economic research agencies. Participating with USSR Gosplan were units of the USSR Ministry of Higher Education and various institutes of the USSR Academy of Sciences. A new economics division was subsequently given independent status under the USSR Academy of Sciences; this division is composed of personnel and organs formerly under a more general division which had also included philosophy and law.

Economic research closely related to planning problems seems to dominate present Soviet research programs in the social sciences. The newly established Siberian Division of the USSR Academy of Sciences reportedly has been designated the center for research on interdependent relationships among branches of the economy--industry, agriculture, and trade, for example.

This center is to be supported by a major high-speed electronic computer facility which will permit it to do work along the lines associated in the United States with the "input-output" work of Harvard economist W. Leontief. Leontief, who visited Moscow several months ago, was welcomed warmly and reported that a concerted program for exploring the planning application of techniques similar to his work at Harvard was now under way in the Soviet Union, even though Soviet economists in the past have criticized his work because it ignored Marxian dogma.

The effort to accelerate lagging Soviet economic study extends beyond merely bolstering research work relevant to economic planning problems; it includes an apparently serious effort to "borrow" and exploit from Western economic work anything which might contribute to better theoretical support of planners.

The pressure on theoretical economic circles in the Soviet Union may be related to the recent formation of a new state scientific-economic council of the USSR Council of Ministers. Kuzmin was selected to head this new body, possibly with the mission of spurring development and refinement of economic planning methodology.

If this is true, Kuzmin may take with him the program for coordinating economic research that he had initiated at USSR Gosplan. He would be confronted with formulating theoretical solutions to a range of thorny problems, such as the choice of investment programs, and the problems of "balance" among economic plans for production and development. He would also be concerned with providing economic criteria to subordinate officials to assure consistency between local

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implementation and the regime's central economic policies and goals.

Serious study of economic planning methodology--untrammeled by rigid adherence to outmoded, irrelevant aspects of Marxist economic dogma--could contribute to long-term improvement of the effectiveness of

Soviet economic decision-making and planning in implementing the policies and programs decided on by the regime. In some measure at least, this should offset the factors tending to slow the rate of Soviet economic expansion.

(Prepared by
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THE SUEZ CANAL TODAY

Since Egypt nationalized the Suez Canal Company in July 1956, Cairo's Suez Canal Authority has demonstrated its ability to operate the canal as effectively as the old company and to handle substantially more volume without any major canal improvements. Without an increase in tolls, revenues in 1958 were \$120,872,000 compared with only \$92,414,000 in 1955--the last full year of operation under the old company. The future of the canal authority may still be troubled, however. Plans for securing a World Bank loan to improve the canal have been hampered by British financial maneuvers, and pilots have considered actions short of a strike to maintain their wages and working conditions.

Canal Settlement

The Suez Canal officially opened in November 1869, and the operating company's concession was to have run to 1968. Egypt's nationalization in 1956 was widely attributed to the withdrawal of a tentative Western offer to finance the Aswan High Dam. The Egyptian minister of state, however, has stated that as early as 1954 President Nasir ordered him to study the legal and practical problems of nationalization. Apparently nationalization was planned for 1959 or 1960; the Aswan High Dam issue merely accelerated the seizure.

Largely through the efforts of the International Bank for Reconstruction and Development, an agreement was reached in June 1958 between the UAR and Suez Canal Company shareholders--principally the British Government. Cairo agreed to pay a total compensation of \$81,221,000, of which the initial payment of \$15,211,000 had been collected by Paris and London in transit tolls since the seizure. The remaining \$66,010,000 was to be paid in six annual installments by 1 January 1964.

Cairo paid the first installment promptly on 1 January 1959 with funds especially released by Britain from Egypt's blocked sterling accounts held in London. The British release resulted largely from the efforts of the president of the World Bank, who was then attempting to bring about a British-Egyptian financial settlement.

The agreement contains a clause to the effect that if Britain released Egypt's blocked sterling, the UAR would immediately pay over the equivalent of the next two maturing installments--a sum of \$22,960,000. This clause apparently was to provide the Suez Canal Company with some assurance that subsequent payments would be made.

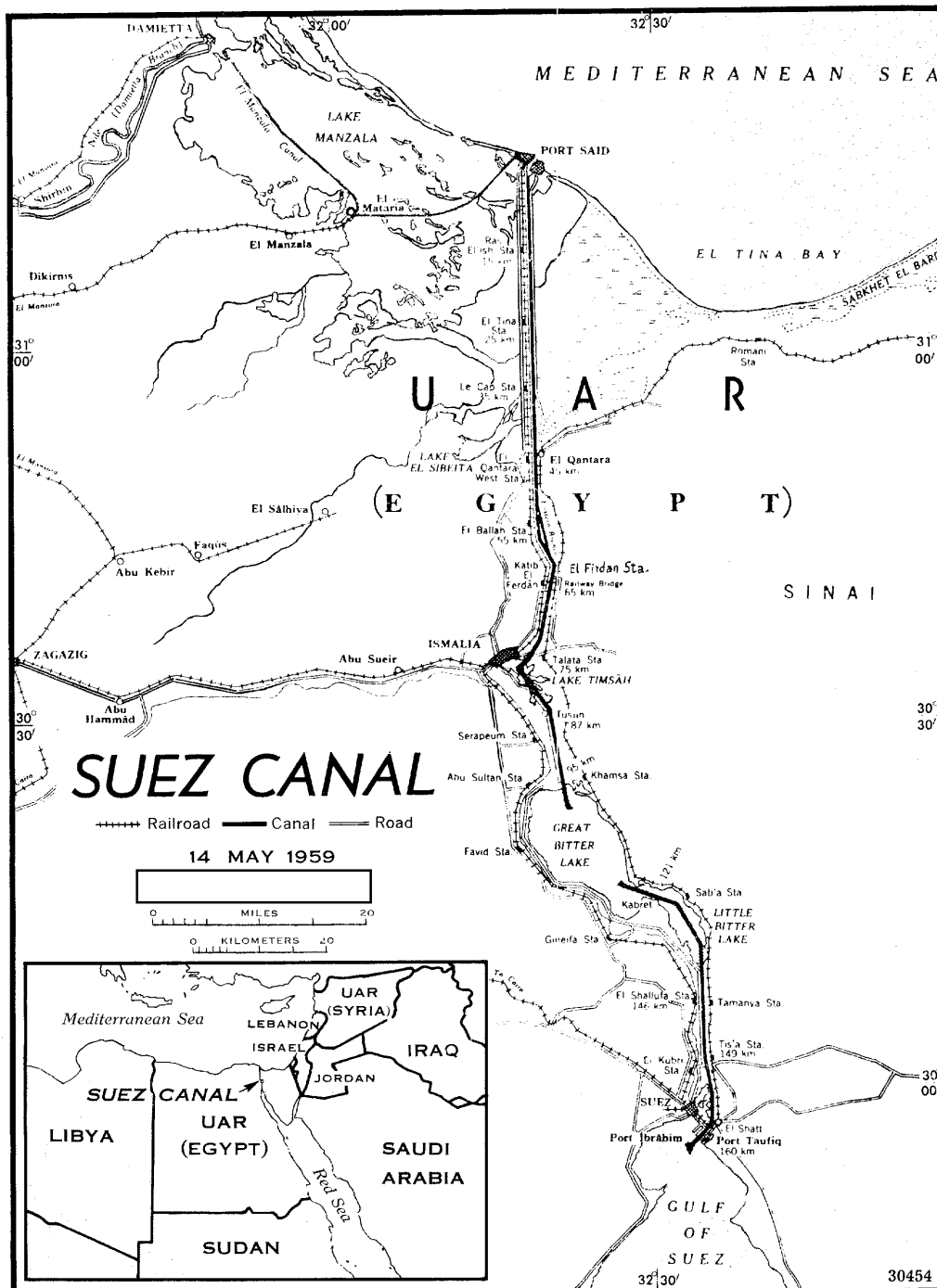
London, impatient with Cairo's delay in resuming

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diplomatic relations, now has used the clause to put pressure on the Egyptians. The Bank of England has removed all restrictions on Egypt's blocked ster-

ling account, and Georges-Picot, head of the old Suez Canal Company, has demanded immediate payment of the \$22,960,000 from the UAR.

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Egyptian officials are reported enraged by this action. Foreign Minister Kaissouni informed the World Bank mission studying the possibility of a substantial loan to improve the canal that it would be preferable for the mission to leave before undertaking its economic study if a subsequent loan application would be denied on the basis that Egypt is "in default." British officials have pointed out that their country would be "unable" to vote for such a loan if Cairo fails to honor the compensation agreement with the Suez Canal Company.

Suez Pilot Crisis

About 180 of the 234 canal pilots have taken to the Egyptian courts their protest against the administration of Colonel Mahmud Yunis, director of the Suez Canal Authority. The protest is aimed at halting reductions in wages and at maintaining present working conditions; it also attacks the lowering of the previously stiff standards for new applicants. Complaints have also been made to Nasir and to the vice president, but the dispute continues.

East German and Polish pilots reportedly have received permission from their embassies to join in the protest, and the Soviet pilots' request to participate apparently is still pending. Despite various pressures, including the canal au-



YUNIS

thority's threat to have Egyptian pilots recalled to the navy, no defections from the ranks of the protesting pilots have been reported. The pilots' complaints seem directed chiefly against the army engineers engaged by Colonel Yunis. Some specific protests may result in an "exposé" involving these men.

Oil Shipments

Transit of Middle East oil to European markets continues to be the major use of the canal. Last year tankers carried an amount probably equivalent to 70 percent of the canal's total north-bound tonnage. About 45 percent of the crude oil produced in the Middle East is shipped through Suez. In 1958 Kuwait shipped about 77 percent of its crude oil output through the canal; this was over

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shareholders of the old Suez Canal Company. The situation would have been substantially worse without canal revenues.

Israeli Transits

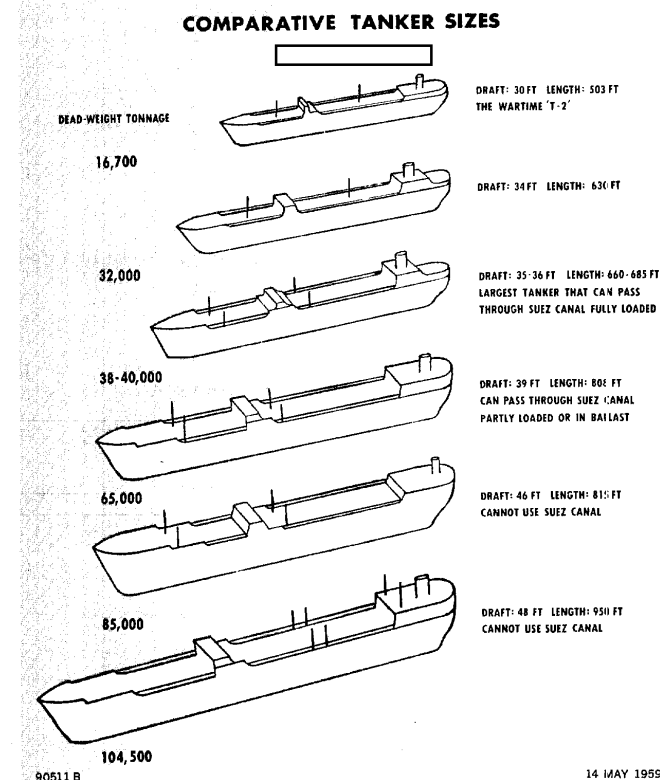
The UAR has made some concession in the dispute over Israeli Suez Canal traffic. In order to avoid UN Security Council consideration of the recent UAR seizures of cargoes from two Israeli-chartered neutral

Canal Expansion

Three American dredging firms are working on the two-year \$21,525,000 Eighth Program which calls for deepening the canal by September 1959 to allow passage of ships of 37-foot draft. Work on a so-called Nasir Plan, estimated to cost between \$290,000,000 and \$345,000,000, still awaits completion of financial arrangements.

Reports of the plan are vague, but the first stage apparently calls for deepening to allow transit of vessels of 40-foot draft--about 55,000 tons. This stage tentatively is scheduled for completion by the end of 1970. The remainder of the plan, which has a completion date of 1973-75, calls for modifications to allow passage of supertankers of 45-foot draft--about 70,000 tons. The plan also calls for "doubling the canal," which could either mean a new parallel canal or a doubling of the existing canal's width.

Despite various problems, canal traffic probably will continue to increase even in the absence of any significant expansion program such as the Nasir Plan. Egypt is likely



ships, Cairo officials now say Israeli-chartered ships outbound from Israel under certain conditions will be permitted to pass through the canal with cargoes intact. The cargoes must contain nothing which would endanger the canal's security, and the ships' manifests must show third-party ownership of the cargoes. Israeli-flag vessels, however, continue to be denied passage.

to oppose the Saudi proposal to construct an Arab-owned pipeline roughly paralleling the existing TAPLINE from Saudi Arabia to the Mediterranean, since Cairo would stand to lose the equivalent of ten cents on every barrel which thus avoided the canal.

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PROBLEMS OF ITALY'S CHRISTIAN DEMOCRATIC PARTY

Factionalism and personal rivalries among the leaders of Italy's dominant Christian Democratic party (CD) are plaguing the three-month-old minority government of Premier Antonio



SEGNI

Segni and preventing the government from carrying out effectively its program of socio-economic reform. Lack of cooperation among the center parties obliges the Christian Democrats to rely on rightist parliamentary support, and a stronger nationalistic attitude on foreign affairs has already resulted. Former Premier Amintore Fanfani, who was overthrown last January because of internal party rivalries, is campaigning to regain control of the party in the hope of orienting it more toward the left.

Cleavages in Party

The Christian Democratic party includes men of a wide variety of political views and has a long record of factionalism. Its deep cleavages were accentuated early in 1959 when Fanfani quit both the premiership and the party secretariat because numerous Christian Democratic deputies torpedoed his program in secret ballots. Three weeks elapsed after the fall of

Fanfani's coalition with the Democratic Socialists before Segni was able to announce the formation of a cabinet on 15 February.

In addition to right and left wings, the CD party has two center factions and a small group of "notables"--including former Premier Scelba, Foreign Minister Pella, and Justice Minister Gonella--who are constantly maneuvering to increase their personal influence. Fanfani's center group is close to the left-wing faction, while Premier Segni, Finance Minister Taviani, and Industry-Commerce Minister Colombo control the other center group, which now depends on the right for support.

Party's Problem in Sicily

The practical consequences of intraparty bickering have been highlighted by the anomalous situation in Sicily. The Sicilian regional government is headed by a dissident Christian Democrat, Silvio Milazzo, who



FANFANI

has been in power since last October with a Communist-supported coalition including Nenni Socialists, monarchists, and neofascists. Milazzo and three other Christian Democratic

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deputies in the regional assembly were expelled from the party for cooperating with the extreme left. The Milazzo revolt has been attributed to the machinations of Scelba as a means of hampering Fanfani's efforts to consolidate party control. National CD leaders now fear Milazzo's Sicilian Christian Social Union could grow into a second and competing Catholic party.

Fanfani's successor as Christian Democratic party secretary, Aldo Moro, opened the campaign for the Sicilian regional elections on 7 June with a strong press attack on the party dissidents and on the rightist parties for creating a situation favorable to the extreme left. Both Fanfani and Luigi Gedda, president of Catholic Action and director of its militant civic committees, reportedly believe the Christian Democrats will lose at least seven of their 37 seats in the 90-member regional assembly, and Gedda feels the Communists and Nenni Socialists may pick up six.

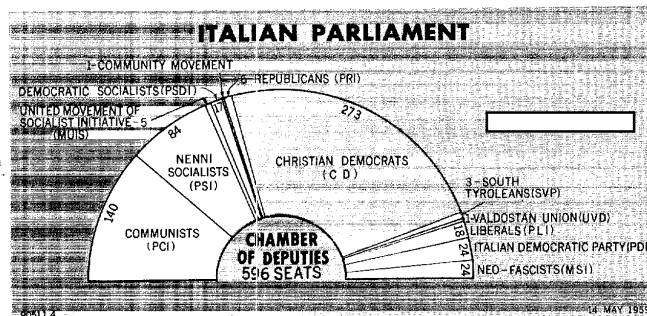
Future Orientation

Restoring party unity would not solve the problems of the government's orientation, however. The old center coalition with Democratic Socialists, Republicans, and Liberals cannot be revived because the Democratic Socialists are no longer willing to collaborate with the Liberals. Support from both Liberals and Democratic Socialists is needed to provide a center majority in the Chamber of Deputies, however, since five left-wing Democratic Socialist deputies have broken away from Giuseppe Saragat's party and are negotiating for admission to the Nenni Socialists.

Premier Segni's government, a Christian Democratic cabinet supported by the Liberals, monarchists, and neofascists is an alternative. It has a comfortable majority in Parliament, but its orientation is counter to the trend to the left evidenced in the May 1958 national elections. Far-reaching socio-economic reforms are unlikely in such a situation; this will probably benefit the electoral prospects of the Communists and especially the Nenni Socialists at the expense of the Christian Democrats.

Fanfani's Strategy

A Christian Democratic government relying on strong Socialist support continues to be



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Fanfani's objective. He insists that only a center-left formula will enable the Christian Democrats to cope with the threat from the extreme left. Fanfani believes such a formula could be achieved by Christian Democratic support of a socio-economic program that would attract the Nenni Socialists and wean them, or at least the preponderant "autonomous" group, away from Communist influence. He would hope to form an alliance which would isolate the Communists and free the government from dependence on the extreme right.

Fanfani indicated in an interview in mid-April that he was prepared to challenge his party's leadership at the next

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congress. He has recently been canvassing local party organizations for support, but if the congress is postponed until September or October, as now seems likely, he faces the prospect of having his opponents securely entrenched in the local party organizations. His chances would be improved if Nenni were to make a complete break with the Communists, but such a break does not seem an early possibility.

Fanfani has seven supporters on the party's 19-member directorate; Segni has eight. Opposed to Fanfani at a high level are such "notables" as Pella and Scelba and, to a lesser extent, the party apparatus under Agriculture Minister Rumor. The "notables" dislike what they regard as Fanfani's dangerous game with Nenni, whom they consider a Trojan horse. They are also hostile to Fanfani's allusions to a possible modification of Italy's Atlantic policy.

Immediate Implications

The increased influence of the right is already apparent

in the strong stand the Segni government is taking on issues involving Italy's prestige abroad. Segni has stressed to Ambassador Zellerbach the need for Italian participation in East-West talks, pointing out that his government requires greater international consideration to justify at home the risks entailed in accepting IRBMs. The Communists and Nenni Socialists have mounted an extensive campaign against the missile bases, making the Segni government particularly sensitive on this subject.

Additional pressure for a more nationalistic foreign policy would be wielded by the right if the Liberals should be successful in their effort to bring the new Italian Democratic party, created on 11 April by the merging of the two monarchist parties, into a more compact rightist bloc. Continued rebuffs incurred by the government in seeking to enhance its international stature would tend to make it increasingly less cooperative on specific American requests, including implementing the IRBM agreement.

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THE WARSAW PACT

The Warsaw Pact, described as a "Treaty of Friendship, Cooperation, and Mutual Assistance," was signed by the USSR and all East European satellites in May 1955, shortly after West Germany joined NATO and started to rearm. Communist China participated as an observer. From the beginning, bloc propaganda has called the pact a purely defensive instrument forced on the "socialist countries" by the creation of NATO, the Paris Agreements, and the rearming of West Germany.

The pact provides an elaborate mechanism for "cooperation" among its members. The USSR, in fact, however, still

exercises firm control over the satellite armed forces, and the pact provides principally a means for concerted political and propaganda action.

Political Importance

The treaty states that in the event any member is attacked, the others will offer "immediate assistance...including the use of armed force." It also provides for consultation among its members on "all important international questions touching on their common interests." Such matters have been considered by the Political Consultative Committee, consisting for the most part of the prime ministers

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warlike aims of the West. Communist China attended both meetings as an observer. The committee decided at the Prague meeting to meet at least twice a year, but this evidently has not been done.

On 27-28 April 1959, the foreign ministers of the pact nations and a Chinese Communist representative met in Warsaw to "ratify" the Soviet position for the Geneva foreign ministers' conference. This display of bloc unity was completed one day before the convening of the Western foreign ministers in Paris. The meeting was labeled only as a meeting of "the members of the Warsaw Pact."

and the defense ministers of the member countries.

The committee has met twice, in Prague in January 1956 and in Moscow in May 1958. The main accomplishment of the Prague meeting was the announcement that the East German military forces, then being officially established, would become a party to the joint command of the armed forces of the pact. At the Moscow meeting, Soviet Premier Bulganin proposed a Warsaw Pact - NATO nonaggression treaty, several of the satellites announced reductions in their armed forces, and the committee approved a Soviet proposal to withdraw troops of the USSR from Rumania.

At each meeting the committee addressed itself to then current international problems and in so doing expended considerable effort in declaring the peaceful intentions of the bloc and in castigating the

The political and symbolic importance of the treaty was underlined when the Hungarian Government, in announcing in October 1956 that it had appealed to the Soviet Union for help to quell the growing revolt, stated this had been done "in accordance with the terms of the Warsaw Treaty." A week later Premier Imre Nagy, in reporting to the United Nations that Soviet troops were entering Hungary, stated that his country had repudiated the Warsaw Treaty. This repudiation was an unpardonable offense in the eyes of Moscow since it appeared that Nagy was about to lead Hungary out of the bloc; it undoubtedly contributed to the Kremlin's decision to get rid of Nagy. The USSR has since cited the pact in connection with its intervention.

Joint Command

The communiqué issued at the signing of the treaty provides for a military headquarters, located in Moscow; it is under Soviet Marshal

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PART III

PATTERNS AND PERSPECTIVES

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all-out war with Western air attacks on the USSR, they would provide early warning and fighter defense. In such a role, particularly in the early phases of the war, the satellite air forces would probably perform creditably. Only the Poles and Czechoslovaks have an air offensive capability.

The effectiveness of the satellite ground forces varies from good to poor. Only the Bulgarians could be relied on to make a worthwhile contribution under all conditions. The East Germans, Poles, and Czechoslovaks are probably the best of the rest, and the Rumanians, Hungarians, and Albanians the weakest. Any of these countries would probably perform acceptably in limited assignments, provided the USSR was on the offensive, particularly if they were fighting traditional en-

emies--the Poles and Czechs against the West Germans or the Bulgarians against the Turks or Greeks.

In the event of a Soviet reverse, the unreliability of the satellite armies would increase sharply and many units would give up the fight. If hostilities were to result from the Berlin crisis, East German units might be assigned to meet initial Western ground action. This would be done for political reasons, but Soviet forces would be on hand for immediate commitment if necessary.

During the past few years several of the pact countries have gradually increased the size and scope of their combined maneuvers; these have generally involved Soviet units and elements from one of the satellites.

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